

Message Text

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PAGE 01 NEW DE 03193 281248Z
ACTION AID-59

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LIMITED OFFICIAL USE NEW DELHI 3193

PASS AID

E.O. 11652: NA
TAGS: EAID, IN, VM
SUBJECT: INDIAN ASSISTANCE TO VIETNAM

REF: STATE 50678

1. ON THE OCCASION OF THE VISIT OF VIETNAMESE MINISTER PHAM VAN DONG, THE INDIAN GOVERNMENT HAS EXTENDED AN OFFICIAL CREDIT FOR RS. 100 MILLION (\$12.5 MILLION), HAS ARRANGED FOR AN ADDITIONAL RS. 300 MILLION (\$37.5 MILLION) IN COMMERCIAL CREDITS, AND HAS AGREED TO "LEND" 300,000 TONS OF WHEAT.

2. EXPORT CREDITS: BOTH THE RS. 100 MILLION GOVERNMENT TO GOVERNMENT CREDIT AND RS. 300 MILLION BANK CREDIT ARE FOR THE PURPOSES OF FINANCING EXPORTS TO VIETNAM. THE GOVERNMENT CREDIT IS SPECIFICALLY TARGETED AT EXPORT OF RAILWAY EQUIPMENT. IT HAS A SMALL LEVEL OF CONCESSIONALITY IN ITS TERMS: AN INTEREST RATE OF 5 PERCENT, A GRACE PERIOD OF FOUR YEARS AND A RE-PAYMENT PERIOD OF 10 YEARS. IT APPEARS THAT BANK LOANS WILL BE ONCOMMERCIAL TERMS. THUS NEW YORK TIMES CHARACTERIZATION OF AGREEMENT AS "LONG TERM CREDIT FOR DEVELOPMENT PROJECTS" MISREPRESENTS THE FACTS.

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3. WHEAT LOAN: DETAILS OF WHEAT LOAN ARE REPORTED ON SEPTEL NEW DELHI 3173). IT APPEARS, AS WAS THE CASE WITH 100,000 TONS AGREEMENT OF LAST SEPTEMBER, THE REQUEST FOR LOAN WAS MADE ON THE SPOT BY THE HEAD OF THE VIETNAMESE DELEGATION. A ACCORDING TO THE PRESS ACCOUNT, PRIME MINISTER DESAI TOOK ONE DAY TO RETURN WITH A POSITIVE REPLY. WE SHOULD NOTE THAT WITH

LARGE STOCKS OF WHEAT AND A POSSIBLE BUMPER WHEAT CROP THIS SPRING, WHEAT LOAN AT THIS TIME IS ECONOMICALLY ADVANTAGEOUS TO THE INDIAN GOVERNMENT. QUESTION OF " PURPOSES" OF THE TWO WHEAT LOANS CANNOT BE ANSWERED SINCE THEY INVOLVE SIMPLE TRANSFER OF COMMODITY TO THE RECEIVING COUNTRY AND AS FAR AS WE KNOW CONTAINS NO RESTRICTIONS ON USE. ACCORDING TO PRESS ACCOUNTS, THEY WERE PROMPTED BY VIETNAM'S CLAIMS OF POOR AGRICULTURAL HARVESTS OVER THE PAST TWO YEARS.

4. OTHER AGREEMENTS: VISITING DELEGATION ALSO SIGNED AGREEMENTS ON COOPERATION IN SCIENCE AND TECHNOLOGY, TRADE AND ECONOMIC COOPERATION, CULTURAL EXCHANGE AND AGRICULTURAL RESEARCH. ACCORDING TO PRESS REPORTS, THE AGREEMENT ON SCIENCE AND TECHNOLOGY CALLS FOR EXCHANGES OF SCIENTISTS AND POSSIBLE JOINT RESEARCH. AGRICULTURE RESEARCH AGREEMENT IS OF SIMILAR TYPE. VIETNAM AND INDIA AGREED LAST SEPTEMBER TO INDIAN TECHNICAL ASSISTANCE PROGRAM TO ASSISTS RICE RESEARCH AND ANIMAL HUSBANDRY IN VIETNAM.

5. THIS MESSAGE, DRAWING ON PRESS REPORTS AND BRIEF CONVERSATION WITH MEA OFFICIAL, IS IN RESPONSE TO REFTEL. FULLER REPORT ON PHAM VAN DONG'S VISIT WILL BE TRANSMITTED FOLLOWING THE ISSUANCE OF THE JOINT COMMUNIQUE.
GOHEEN

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